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January 24, 2001

VIA HAND DELIVERY

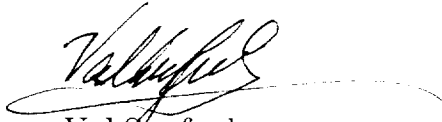
Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37201

Re: *Generic Docket Addressing Rural Universal Service*
Docket No: 00-00523

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of the Reply of AT&T Communications of the South Central States, Inc. to the Petition for Appeal filed by BellSouth Telecommunications. Copies are being served on counsel for parties of record.

Yours very truly,


Val Sanford

VS/kw

Enclosures

cc: Counsel of record
James P. Lamoureux, Esq.
Garry Sharp

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BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

REGULATORY AUTH.
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IN RE:

GENERIC DOCKET ADDRESSING
RURAL UNIVERSAL SERVICE

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OFFICE OF THE
EXECUTIVE SECRETARY
DOCKET NO. 00-00523

**REPLY OF AT&T COMMUNICATIONS OF THE SOUTH CENTRAL
STATES, INC. TO PETITION FOR APPEAL OF BELL SOUTH
TELECOMMUNICATIONS**

AT&T Communications of the South Central States, Inc. ("AT&T") respectfully urges that the Petition for Appeal filed by BellSouth Telecommunications ("BellSouth") from the Initial Order of Hearing Officer be denied. AT&T's position in this matter is set forth in its brief as to legal issues filed on November 9, 2000 and in its reply brief as to legal issues filed on November 16, 2000 and will not be repeated here. In this reply AT&T will focus on two fundamental errors in BellSouth's position: (i) the fact that the Railroad and Public Utilities Commission, the Tennessee Public Service Commission and the Tennessee Regulatory Authority did not choose to regulate the arrangements between the Bell System Companies (Cumberland Telephone & Telegraph Co., Southern Bell Telephone & Telegraph Co., South Central Bell Telephone Co. or BellSouth) and the Independents did not mean that those state agencies had no power or jurisdiction to regulate such arrangements; and (ii) the arrangements between BellSouth and the Independents are not within the scope of BellSouth's price regulation plan pursuant to T.C.A. §65-5-209.

First, the power of state regulatory agencies over the arrangements between the Bell System Companies and the Independents is demonstrated in the creation of the access charge system on divestiture of the Bell Operating Companies. The division of revenues, separations and settlements procedures had long been in place at divestiture. With divestiture, the TPSC created an access charge system to replace the then existing arrangements for interLATA traffic, but left the LECs free to make their own arrangements with respect to intraLATA traffic. No one questioned the power of the TPSC to create such an access charge system. A similar situation has arisen with respect to intraLATA traffic and the arrangements between BellSouth and the Independents. As in the case of interLATA traffic, there is no basis for questioning the TRA's power to establish an appropriate arrangement replacing the terminated contracts between BellSouth and the Independents.

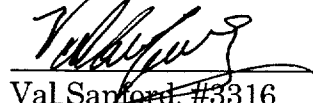
Second, BellSouth concedes that the TRA has the power to preserve the service arrangements, but contends that the TRA has no power over compensation for such service. No basis exists for that contention. BellSouth simply assumes that such compensation comes within the scope of its price regulation plan pursuant to T.C.A. §65-5-209. However, as AT&T has demonstrated in its prior filings, the language and intent of T.C.A. §65-5-209 did not include the arrangements between BellSouth and the Independents within the scope of price regulation.

In summary, pursuant to the terms of its agreements with the Independents, BellSouth apparently had the power to terminate those agreements on notice.

Apparently BellSouth has given such notice and those agreements are terminated. Such termination, however, does not mean that the service must stop and does not mean that BellSouth is free to impose a new compensation system on the Independents. The TRA has the power to assure that the service continues and to determine an appropriate basis for compensation.

The Initial Order of Hearing Officer should be affirmed.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I, Val Sanford, hereby certify that a copy of the foregoing Reply of AT&T Communications of the South Central States, Inc. to Petition for Appeal of BellSouth Telecommunications has been served via United States First Class Mail, postage prepaid, to the following counsel of record, this 24th day of January, 2001.



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